Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	2,755.01	0.20	12.25	2,767.46	0.20	16.25	2,771.46	2,771.46
Personal Services	114,038,582	7,187,430	958,431	122,184,443	7,224,783	1,056,473	122,319,838	244,504,281
Operating Expenses	88,621,395	7,453,379	9,916,346	105,991,120	7,814,676	13,184,899	109,620,970	215,612,090
Equipment	376,355	51,000	85,000	512,355	36,000	0	412,355	924,710
Capital Outlay	0	0	0	0	0	0	0	0
Grants	42,470,810	3,268,515	4,724,918	50,464,243	3,761,327	3,771,061	50,003,198	100,467,441
Benefits & Claims	821,366,107	114,307,832	126,617,085	1,062,291,024	159,691,929	108,303,751	1,089,361,787	2,151,652,811
Transfers	0	0	0	0	0	0	0	0
Debt Service	598,806	0	0	598,806	0	0	598,806	1,197,612
Total Costs	**$1,067,472,055**	**$132,268,156**	**$142,301,780**	**$1,342,041,991**	**$178,528,715**	**$126,316,184**	**$1,372,316,954**	**$2,714,358,945**
General Fund	248,448,589	45,661,704	14,672,024	308,782,317	56,524,151	4,112,659	309,085,399	617,867,716
State/Other Special	36,553,605	7,739,993	44,579,243	88,872,841	9,570,906	39,211,729	85,336,240	174,209,081
Federal Special	782,469,861	78,866,459	83,050,513	944,386,833	112,433,658	82,991,796	977,895,315	1,922,282,148
Total Funds	**$1,067,472,055**	**$132,268,156**	**$142,301,780**	**$1,342,041,991**	**$178,528,715**	**$126,316,184**	**$1,372,316,954**	**$2,714,358,945**

Page Reference

Legislative Budget Analysis, B-1

Agency Issues

The 2007 biennium appropriation for DPHHS is $579 million higher than the FY 2004 base budget. Most of the growth is in benefits and claims, which are expenditures that provide discreet, distinct services to individuals. Medicaid services are the largest component of the benefits and claims appropriations accounting for half of the general fund appropriated to the department.

Benefits and claims appropriations are $2.2 billion of the $2.7 billion biennial budget, and increase about $509 million compared to base budget expenditures. The following components of the benefits increase of at least $8 million each explain 90 percent of the total change:

- Medicaid caseload growth ($185 million)
- Medicaid rate increases, including increases due to the hospital tax (SB 120), nursing home bed utilization fee, and county nursing home Medicaid intergovernmental transfers ($145 million)
- Federally funded food stamp benefit increases ($55 million)
- Service expansions, including Medicaid, and the prescription drug program embodied in SB 324 ($55 million)
- Increases for child care ($13 million federal funds), and foster care and subsidized adoption ($8 million)

Personal services funding increases about $16 million and supports about 16 new FTE. Figure 1 shows the net changes in FTE (an increase of 12.45 and 16.45 in FY 2006 and 2007, respectively) throughout the

Figure 1

Department of Public Health and Human Services
Summary of FTE Changes
2007 Biennium Appropriation

Program and Decision Package Title	FY2006	FY2007
Human/Community Services Division		
Child Care	0.20	0.20
Director's Office		
Tribal Staff	1.00	1.00
Public Health and Safety		
Clinical Lab Specialist	1.00	1.00
Public Health and Safety Division	3.00	3.00
Statewide Emergency Preparedness		
Libby Asbestos Program	2.00	2.00
Public Health Planner	1.00	1.00
Communicable Disease Monitoring	1.00	1.00
Environmental Public Health Tracking	1.00	1.00
Environmental Laboratory Chemist	1.00	1.00
Tobacco Use Prevention Program	4.00	4.00
Quality Assurance Division		
Medicaid Payment Error Rate Meas.	6.00	8.00
Implement Medical Marijuana Act	0.25	0.25
Disability Services Division		
Movement to Community	(35.00)	(35.00)
Computer Tech to Assist Blind	1.00	1.00
Health Resources Division		
Manage Medicaid Program	1.00	1.00
Enhance Effciency-Children's Mental Health	5.00	5.00
Medicaid Cost Analysis	2.00	2.00
Medicaid Passport Services	2.00	2.00
Develop System of Care of Children	7.00	7.00
Medicaid Program Management	5.00	5.00
Addictive and Mental Disorders Div.		
Regional Staff	3.00	5.00
Total	12.45	16.45

department. Ten of the new FTE will fill regional positions for adult and children's mental health. These FTE are expected to generate savings because they will help persons access the most appropriate level of services and help develop new community services.

Many of the new FTE added are supported by various federal grants including 13.00 FTE added to the Public Health and Safety Division, 0.20 FTE added to the Human and Community Services Division, and 7.00 FTE added to the Health Resources Division to develop a children's system of care. State special revenue supports 5.00 FTE added to the Public Health and Safety Division for the clinical lab and tobacco use prevention programs.

FTE in the Quality Assurance Division increase by 6.25 in FY 2006 and 8.25 in FY 2007 due to new functions that are mandated by federal regulation. The Health Resources Division FTE increase by 10.00 to accomplish various program analysis and oversight functions that are expected to reduce overall Medicaid spending.

The legislature as part of its initiatives added 1.00 FTE to the Director's Office to help Tribes access federal Medicaid pass-through funds for reimbursement to Indian Health Services. The legislature also added 1.00 FTE to the Disabilities Services Division to provide a computer technician to assist blind and visually impaired individuals with adaptive technology and software.

The FTE increases are partially offset by a decrease of 35.00 FTE in the Disability Services Division at the Montana Developmental Center in Boulder. The level of FTE required at the institution will decrease as 45 individuals are moved to community services and two units at the facility are closed as required by the settlement agreement in the Travis D. litigation.

Operating costs increase about $38 million and personal services funding grows a net $16 million. Operating cost increases are due to changes in professional and consulting fees, and $1.6 million for the biennium for bed tax fees at the Montana Developmental Center. However, about $21 million of the biennial increase is due to appropriations for contracts that provide direct and indirect services to individuals and the public in general. The legislature has directed the department to work in conjunction with the Department of Administration, legislative staff, and the Office of Budget and Program Planning to review state accounting guidelines with the goal of moving such types of expenditures out of the operating category of costs.

Grant appropriations rise about $16 million over the biennium. Most of the increase is in federal categorical grants to support the Women, Infant, and Children (WIC) feeding program, energy assistance, weatherization, mental health, and substance abuse. However, the legislature added $1.2 million in general fund over the biennium for one-time increases in the Meals on Wheels program and grants to local agencies for in-home caregiver services, and approved the executive request to continue the Montana Abatement of Mortality in Infants (MIAMI) by appropriating $1.1 million general fund over the biennium.

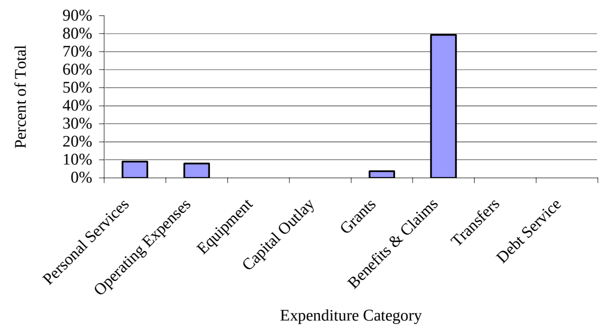
General fund grows about $121 million over the 2007 biennium compared to base budget expenditures. About 45 percent of the change ($55 million) is due solely to increased federal Medicaid match rate changes to support the cost of Medicaid services in FY 2004. Medicaid, foster care, and subsidized adoption caseload changes are another significant factor adding $35 million, including the increased state Medicaid match cost for the 2007 biennium. Medicaid rate increases and service expansions add about $9 million, with most service expansions increasing community based services for the elderly and disabled. Institution costs for overtime and inflation in medical costs, food, and utilities add about $8 million.

DPHHS is funded by general fund, state special revenue, and federal funds. The percentage of general fund remains relatively constant, providing about 23 percent of the FY 2004 base budget and through the 2007 biennium budget, although general fund outlays grow nearly $121 million in the 2007 biennium. General fund changes are primarily related to Medicaid match rate changes and to Medicaid caseload and service utilization changes.

State special revenue increases from 3 to 6 percent of the total budget over the same time period and federal funds decrease from 73 to 71 percent. The increase in state special revenue support is due in part to the appropriation of tobacco tax state special revenue (I-149) and because of removal from the base budget of $12 million in one-time expenditures supported by a diversion of tobacco settlement proceeds, which terminated at the end of the 2005 biennium. While the one-time diversion was removed from the base budget, the full amount of tobacco settlement revenue is appropriated over the 2007 biennium for the purposes originally established in 17-6-606, MCA. Appropriations from the tobacco tax and from tobacco settlement funds are discussed later in this overview.

As illustrated in Figure 2 the majority of the department funding (almost 80 percent) supports benefit and claims costs paid on behalf of individuals. Personal services comprise the next largest category of expenditure (9 percent) for the department. The cost of staff at the six state institutions operated by the department accounts for 33 percent of total department personal services costs.

Figure 2
Legislative Budget 2007 Biennium



Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	2,755.01	2,729.18	2,767.46	38.28	2,739.18	2,771.46	32.28	
Personal Services	114,038,582	120,631,095	122,184,443	1,553,348	121,118,082	122,319,838	1,201,756	2,755,104
Operating Expenses	88,621,395	107,939,128	105,991,120	(1,948,008)	110,527,290	109,620,970	(906,320)	(2,854,328)
Equipment	376,355	512,355	512,355	0	412,355	412,355	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Grants	42,470,810	48,094,243	50,464,243	2,370,000	49,393,198	50,003,198	610,000	2,980,000
Benefits & Claims	821,366,107	1,009,087,797	1,062,291,024	53,203,227	1,078,982,869	1,089,361,787	10,378,918	63,582,145
Transfers	0	0	0	0	0	0	0	0
Debt Service	598,806	598,806	598,806	0	598,806	598,806	0	0
Total Costs	**$1,067,472,055**	**$1,286,863,424**	**$1,342,041,991**	**$55,178,567**	**$1,361,032,600**	**$1,372,316,954**	**$11,284,354**	**$66,462,921**
General Fund	248,448,589	302,608,283	308,782,317	6,174,034	311,302,363	309,085,399	(2,216,964)	3,957,070
State/Other Special	36,553,605	84,714,613	88,872,841	4,158,228	94,497,420	85,336,240	(9,161,180)	(5,002,952)
Federal Special	782,469,861	899,540,528	944,386,833	44,846,305	955,232,817	977,895,315	22,662,498	67,508,803
Total Funds	**$1,067,472,055**	**$1,286,863,424**	**$1,342,041,991**	**$55,178,567**	**$1,361,032,600**	**$1,372,316,954**	**$11,284,354**	**$66,462,921**

The legislature appropriated $66 million more than requested in the original executive budget, including nearly $4 million general fund, and $68 million in federal funds with an offsetting reduction of $5 million in state special revenue. The most significant difference between the legislative and executive budget is due to legislative initiatives that add about $7 million in general fund and $7 million in state special revenue for various legislative-spending priorities. The legislature requested that the narrative accompanying HB 2 stress that these initiatives were formed after review of the executive budget request, public testimony, and requests from other stakeholders and constituents, and consideration of issues raised by legislative staff, and that the priorities reflected what legislators deemed to be important and necessary additions to the executive budget proposal.

Figure 3 shows the legislative initiatives, including the biennial appropriations of general fund or state special revenue (I-149 tobacco tax increase revenue) by type and purpose of expenditure as well as the sources of revenue that were identified to support the increases.

Figure 3

Legislative Initiatives - Appropriations and Revenue to Fund Initiatives

Appropriations/Revenue Sources	Biennial Amount General Fund	I-149
APPROPRIATIONS		
Direct Care Worker Wage Increases - 75 Cents an Hour Plus Benefits at 25 Cents an Hour		
Nursing Homes and Aging/Disabled Community	$1,000,000	$3,000,000
Children's Mental Health	0	750,000
Subtotal Direct Care Worker Wage Increases	$1,000,000	$3,750,000
Provider Rate Increases		
Physician Rate Increase to 85% of Medicare Rate	$400,000	$1,200,000
Foster Care Parents 4%	384,000	0
Foster Care Group Homes 4%	204,000	0
Subtotal Rate Increases	$988,000	$1,200,000
Eligibility and Service Increases		
Raise Medicaid Asset Test - Children (Contingent HB 552)	$0	$1,876,316
In-Home Caregiver Services - Local Agency Grants*	600,000	0
Meals on Wheels*	500,000	0
Energy Ombsudsman Services*	600,000	0
Extended Employment - Follow Along	280,000	0
Extended Employment - Sheltered	140,000	0
Independent Living	200,000	0
Part C	180,000	0
Subtotal Eligibility and Service Increases	$2,500,000	$1,876,316
Funding Switch to Support TANF Benefit Increase		
Child Care	$2,400,000	$0
Subtotal Funding Switch for TANF Benefit Increase	$2,400,000	$0
Operating Costs, Including Funding for Staff		
Computer Specialist for the Blind	$130,000	$0
Tribal Staff	52,000	0
Subtotal Operating Costs, Staff	$182,000	$0
Total Appropriations	$7,070,000	$6,826,316
REVENUE TO SUPPORT APPROPRIATIONS - NOT INCLUDED IN HJR 2		
LIEAP Proposal - Executive Budget Reduced	$7,400,000	$0
Additional Income Tax - Tax Compliance Auditors	3,600,000	0
I-149 Funds in Excess of Executive Request	0	2,400,000
Revised Executive Medicaid Estimates	1,800,000	0
Estimated I-149 Revenues Above Executive Request	0	1,400,000
Displaced Homemaker Funding Switch	400,000	0
Medicaid Savings due to Added Management Staff and Other Legislative Funded Initiatives	500,000	0
Income Tax Increase due to State Employee Pay Plan	200,000	0
Income Tax Increase due to Direct Care Worker Wage Increases	100,000	0
Savings in Legislative Travel - General Government	150,000	0
Total Revenue	$14,150,000	$3,800,000
Revenue Over (Under) Increases	$7,080,000	($3,026,316)
GENERAL FUND ALLOCATED TO I-149 PROPOSALS		
General Fund Reallocated from Legislative Initiatives to Offset First 6 Months of Cost of Proposals in Executive Budget and Legislative Initiatives	$1,700,000	
General Fund In Excess of Legislative Initiatives	$5,380,000	

*These appropriations are one-time only.

The Health and Humans Services Joint Appropriation Subcommittee identified about $15 million in additional general fund revenue above the level included in HJR 2, the revenue resolution, and used $7 million to fund initiatives it considered important. The legislature added state funds in five primary areas:

1. Direct care worker wage increases
2. Provider rate increases
3. Service and eligibility expansions
4. Funding switches to allow increases in monthly cash assistance levels
5. Staff and operating costs to either enhance revenue or increase efficiency and appropriate use of services

Appropriations for direct care worker wages are 34 percent of the total in legislative initiatives. Wage increases are appropriated for direct care workers in nursing homes, home and community based services for aged and disabled persons, and for children's mental health providers. Language was added in HB 2 restricting these appropriations for direct care worker wage increases with the legislative intent that wages be raised 75 cents an hour and benefits be raised 25 cents an hour. If appropriation amounts are insufficient to fund the total intended increase, lowest paid workers' wages are to be raised first. The legislature also added a reporting requirement so that legislators could review documentation regarding initial and increased wages throughout the biennium and monitor implementation of the appropriation.

Provider rate increases for Medicaid physician rates, foster care parents, and foster care group homes are 16 percent of the total legislative initiatives. The legislature wanted to ensure access to primary care physicians for Medicaid eligible persons to provide the best preventive, effective care in the most cost efficient setting. Foster care parents and group home rate increases were made to address concerns raised by foster parents and foster care providers during public testimony regarding the adequacy of reimbursement rates.

Eligibility and service increases account for 31 percent of the total appropriation. Raising the asset limit for Medicaid eligibility for children (from $3,000 per family to $15,000) is contingent on passage and approval of HB 552. It would extend health coverage to an estimated more 3,800 children.

Two appropriations were made to support community services for the elderly and disabled provided by local, non-state entities. In-home caregiver services and Meals on Wheels appropriations are one time only and will support services that help persons remain in their own homes and in the community.

The legislature provided $0.6 million general fund for the biennium to support energy ombudsman or case management-type services at Human Resource Development Councils to assist low-income individuals seeking emergency energy assistance.

Four appropriations were made to support services for the disabled – Part C Early Intervention, independent living, and two for extended employment. The extended employment appropriations will serve about 60 individuals or one-half the waiting list in follow-along services and 10 individuals or one-half the waiting list in sheltered work services. Appropriations for independent living will provide services to an additional 78 individuals in the eastern Montana region that includes six reservations. Funds for Part C Early Intervention will fund family support and education services for 18 more young children with disabilities.

The legislature made a funding switch moving funds for some child care from federal TANF (Temporary Assistance for Needy Families) funding to general fund. The funding switches were made in order to increase monthly cash assistance benefit levels. It is estimated that this $2.4 million increase in cash assistance funding is adequate to increase the average monthly benefit level for a family of three by $50 about per month.

Funds appropriated to support FTE and operating costs provide direct support for persons account for 1 percent of the legislative initiatives explained in Figure 3. The computer specialist for the blind will assist blind and visually impaired individuals in usage of computer technology adapted to their needs. The tribal program staff will assist Indian Health Services (IHS) providers in claiming allowable federal Medicaid pass through funds in order to extend IHS funding for persons who are not Medicaid eligible or for services that are not Medicaid eligible.

Finally, the legislature allocated $1.7 million general fund to offset I-149 appropriations it accepted from the executive proposal and from its own initiatives to delay expenditures of the majority of I-149 appropriations until January 1, 2006. That action was taken to help develop a reserve balance in the health and Medicaid initiatives state special revenue account to help sustain new programs funded from the account. The legislature added language to HB 2 delaying expenditures from certain I-149 appropriations until December 1, 2005, or until the health and Medicaid initiatives state special revenue account reached a $25 million balance. The legislature also amended 53-6-1201(4), MCA and imposed the following requirements on both the prescription drug program (SB 324) and the premium assistance and tax credits for health insurance costs for small employers (HB 667):

> "On or before July 1, the budget director shall calculate a balance required to sustain the program in subsection (3)(b) for each fiscal year of the biennium. If the budget director certifies that the reserve balance will be sufficient, then the department may expend the revenue for the program as appropriated. If the budget director determines that the reserve balance of the revenue will not support the level of appropriation, the budget director shall notify the department. Upon receipt of the notification, the department shall adjust the operating budget for the program to reflect the available revenue as determined by the budget director."

The legislature identified funding to support each of the legislative funding initiatives. The fund source and rationale for applying it to the legislative initiatives is:

- LIEAP – a reduction of $7.4 of the $8.4 million general fund appropriation for Low Income Energy Assistance (LIEAP) that was included in the executive budget request
- Tax compliance auditors funded in the Department of Revenue – an estimate of the additional income tax revenue that would be generated due to addition of audit staff (not included in HJ 2)
- Revised Medicaid estimates – the executive budget request was changed twice in February 2005 for revised Medicaid estimates; the second estimate was $1.8 million general fund lower than the first request
- I-149 funds in excess of executive request – HJ 2 revenue estimates of I-149 tobacco tax revenue are higher than the funds requested in the executive budget
- Displaced homemaker funding switch – the executive budget originally requested general fund and then switched its request to ESA (Employment Security Account) state special revenue, freeing up the general fund
- Medicaid savings – the legislature added management analyst staff to the Medicaid program and to assist IHS in claiming allowable reimbursements; additional staff will allow the department to reduce Medicaid services costs due to efficiencies and provision of appropriate care
- Income tax increases not in HJ 2 – state employee pay plan raises and direct care worker wage increases are estimated to enhance income tax collections
- Savings in travel and dues – the legislature did not approve dues for the Council of State Governments

Some of the remaining difference between the legislative and executive budgets, after consideration of legislative initiatives, is due to approval of revisions by the executive for updated Medicaid caseload projections and state match funding requests which added $6 million total funds, including about $2 million general fund and nearly $3 million in tobacco tax state special revenue (I-149). Additionally, the legislature approved additional state special revenue ($23 million) for anticipated increases in the hospital inpatient bed day tax contingent upon passage and approval of SB 120.

Some of these increases were partially offset by withdrawal of some executive proposals including the request to add $1 million in private donation state special revenue and $4 million in federal matching funds for the Children's Health Insurance Program (CHIP). The executive also withdrew requests for $2 million in state special revenue to support expansion of the nurse first call in service and about $1 million in federal funds for CHIP match to provide funding for mental health services for seriously emotionally disturbed children.

Figure 4 shows major increases and decreases in both general fund and state special revenue that occurred as a result of legislative action or changes to the executive budget to withdraw certain funding requests.

Figure 4
General Fund and State Special Revenue
Summary of Major Difference from the Executive Proposal

Item	General Fund	State Spec. Revenue
Legislative Initiative, Figure 3	$7,070,000	$6,826,316
Other Significant Increases and Associated Reductions		
Offset CHIP Match for 2005 Biennium Approp.	$2,200,000	($2,200,000)
Executive Medicaid Caseload Revisions	1,806,359	2,669,942
Offset I-149 Appropriations with General Fund Until 1/1/06*	1,700,000	(1,700,000)
Personal Services - CFSD - DP not Accepted	255,502	0
Reduce Vacancy Savings - CFSD	189,023	0
HB 749 Bed Tax Increase - Nursing Care Center	121,112	
Tribal Peer Counseling	60,000	
Increase Hospital Utilization Fee (SB 120)	0	6,957,016
Genetics Program State Special Revenue Funds - SB 275	(1,091,919)	1,665,588
Revised Foster Care Caseload Estimate	0	859,858
Subtotal Increases	$5,240,077	$8,252,404
Other Significant Reductions and Associated Increases		
Reduction in LIEAP Funding	($7,000,000)	$0
Medicaid Match Reduction	(500,000)	0
Accept Legislative Estimates of Nursing Home Costs	(454,953)	0
Increase Prevention/Stabilization Approp to Child Care	(100,000)	100,000
Reduce Funding Switch for Alcohol Tax Revenue	(80,000)	0
Remove Funding for 2nd Deputy Director	(74,293)	(12,563)
Transfer I-149 Appropriation for HB 667 to State Auditor	0	(15,690,826)
Expand Nurse First - Withdrawn by Executive	0	(2,000,000)
Reduce I-149 Funds for Tax Credit/Premium Assistance	0	(1,859,174)
CHIP Donations - Withdrawn by Executive	0	(1,000,000)
Subtotal Net Decreases	($8,209,246)	($20,462,563)
Net Change to Executive Proposal Explained in this Figure	$4,100,831	($5,383,843)

*General fund reallocated from legislative initiatives to offset first 6 months of expenditures from some executive and legislative initiatives funded with I-149 funds.

Figure 4 begins with the total change amounts reflected in Figure 3 – Major Legislative Initiatives – and adds and subtracts other major revisions to the executive budget. Smaller, minor revisions that affected general fund and state special revenue are not included in Figure 4.

Summary by Major Program and Issue Area

I-149 Funding

In November, voters enacted I-149 and established 53-6-1201, MCA. This initiative raised taxes on tobacco products. Most notably, taxes on cigarettes were raised by $1 per pack. Tobacco tax increases are to be spent for:

- CHIP enrollment maximization
- A new needs based prescription drug program for children, seniors, chronically ill, and disabled persons
- Medicaid service expansions and Medicaid provider rates
- Programs to assist small businesses with the cost of employee health insurance, including the authorization to provide tax credits

Figure 5 shows the total appropriation for I-149 tobacco tax state special revenue. Most of the I-149 appropriations are for two proposals a prescription drug program (SB 324) and income tax credits/premium assistance for small businesses (HB 667, which is appropriated in the State Auditor's Office).

Figure 5

Legislative Appropriation of I-149 Funds and General Fund to Delay Use of I-149 Until 1/1/06

Description of Appropriation	Biennial Approp. General Fund	Biennial Approp. I-149	Percent of Total I-149
APPROPRIATIONS IN STATE AUDITORS' OFFICE			
SMALL EMPLOYER PREMIUM ASSISTANCE - HB 667	$0	$9,414,496	15%
SMALL EMPLOYER TAX CREDITS - HB 667	0	6,276,330	10%
APPROPRIATIONS IN DPHHS			
PRESCRIPTION DRUG PROGRAM - SB 324	$0	$15,750,000	25%
MEDICAID RATE INCREASES			
Disability Services Division (DSD)			
DD Provider Wages - 25th to the 35th Labor Market Percentile	$475,000	$1,425,000	2%
Health Resources Division (HRD) (State Plan Services)			
Children's Mental Health 6% Rate Increase	$351,881	1,407,524	2%
Maternity Rate Increase to 51% of Billed Charges	182,312	729,247	1%
EPSDT, Hospitals, Critical Access Hospitals, Ambulatory Surgical Centers	0	540,000	1%
Dental Access: Funds to Hire Dentists for Medicaid Clients	125,000	500,000	1%
Raise Physician Provider Rates	101,461	438,000	1%
Neonatal Care Paid at Costs	73,914	295,656	0%
Cardiac and Pulmonary Rehabilitation	0	233,680	0%
Ambulatory Surgery Centers to Medicare Rates	24,384	97,536	0%
Critical Access Hospital Payments to 101% of Cost	0	79,248	0%
Subtotal Health Resources Division	$858,952	$4,320,891	7%
Senior and Long Term Care Division			
3% Nursing Home Provider Rate Increase	$523,856	$2,130,335	3%
Nursing Facility Direct Care Wage Initiatives	207,264	829,057	1%
(16 Cents an Hour Plus 33% Benefits)			0%
3% Community Based Provider Rate Increase	196,148	784,592	1%
Community Services Direct Care Wage Initiatives	64,609	258,434	0%
(16 Cents an Hour Plus 33% Benefits)			
Subtotal Senior and Long Term Care	$991,877	$4,002,418	6%
Total Medicaid Rate Increase Proposals	$2,325,828	$9,748,309	15%
MEDICAID SERVICE EXPANSIONS			
Home/Community Waiver Services for Mentally Ill Adults	$0	$631,601	1%
Expand Intensive Community Rehab. Beds by 7 - Adults	0	256,194	0%
Community Services Expansion (20 New Senior/Disabled Slots)	0	176,032	0%
Additional Clinic Children's Special Health Care	0	75,000	0%
Flexible Funds for Waiver for Seriously Emotionally Disturbed Children	0	50,000	0%
Subtotal Medicaid Service Expansions	$0	$1,063,827	2%
TOTAL EXECUTIVE RATE AND SERVICE EXPANSIONS FUNDED	$3,659,780	$10,812,136	17%
OTHER EXECUTIVE RECOMMENDATIONS FUNDED BY LEGISLATURE			
Mental Health Services Plan/HIFA Medicaid Match in FY 07	$0	$6,500,000	10%
Medicaid Matching Funds	0	4,076,371	6%
CHIP Matching Funds - 10,900 Children	0	375,347	1%
CHIP Expansion - 3,000 Children	2,200,000	4,161,951	6%
Total Other Executive Proposals - I-149	$2,200,000	$15,113,669	24%
TOTAL EXECUTIVE I-149 RECOMMENDATIONS FUNDED	$5,859,780	$57,366,631	89%
LEGISLATIVE INITIATIVES FUNDED FROM I-149 AND GENERAL FUND			
Total Legislative Initiatives - Figure 3 Total	$7,070,000	$6,826,316	11%
Grand Total General Fund and I-149 Appropriation in HB 2	$12,929,780	$64,192,947	100%
General Fund Revenue Identified by Legislature to Cover Increases	$14,150,000		

The most significant appropriations from I-149 revenues support the proposed prescription drug program (SB 324) and the tax credits/premium assistance for small employers (HB 667). Together these appropriations account for 45 percent of the I-149 appropriations included in HB 2.

The next largest component of the I-149 appropriation supports state Medicaid matching funds, the Mental Health Services Plan (MHSP), and CHIP. Together these appropriations comprise 24 percent of the total. The Medicaid matching funds predominantly support provider rate increases (15 percent) and some service expansions (2 percent). About 6 percent of the I-149 appropriation supports Medicaid matching funds for existing service levels. Ten percent is appropriated to support the majority of costs for MHSP, which will be used in FY 2007 as the state match for the HIFA (Health Insurance Flexibility and Accountability) waiver that is one of the central pieces of the Medicaid redesign proposal. Funds to maintain CHIP enrollment at 10,900 and expand it to 13,900 are another 10 percent of the appropriation.

Finally, the legislature appropriated $7 million, or 11 percent of the total, for several legislative initiatives listed in Figure 3. Those appropriations support direct care worker wage increases and physician rate increases.

Tobacco Prevention and Control

The legislature approved 32 percent of the funds from tobacco settlement revenues for tobacco prevention and control, increasing state special revenue expenditures from the FY 2004 base budget level of $2.5 million to $4.4 million in FY 2007. In addition, the legislature provided funding to support 4.00 new FTE and added $60,000 general fund over the biennium for a tribal peer counseling program. The legislature also restricted $720,000 of tobacco settlement funds for tribal tobacco prevention and control programs.

The legislature added language to HB 2 encouraging the department to foster implementation of a state government-wide tobacco prevention and smoking cessation program. The legislature also added a reporting requirement so that legislators could monitor implementation and progress toward the goal.

Children's Services

The legislature added funds in several areas to support children's services. The legislature added funds to expand CHIP enrollment from 10,900 to 13,900 children. It is considering legislation to eliminate the Medicaid asset test for children and has appropriated funds to support additional health care services contingent on passage and approval of HB 552.

Rate increases were added for children's mental health services, foster care services, and developmental disabilities services. The legislature gave its approval for requesting a federal Medicaid waiver to expand mental health services for children with a serious and emotional disturbance transitioning to adult services. Funds were appropriated for a Medicaid waiver to provide flexible funding for children with a serious emotional disturbance involved with multiple agencies and programs and approval was given to establish a Medicaid service for these children similar to those provided to physically and developmentally disabled children. Funding, including funding for 5.00 new FTE, was approved to implement a children's system of care and an early childhood comprehensive system.

Developmental Disabilities Services

The developmental disabilities system is undergoing a great deal of change including changes in how resources are allocated among consumers, provider rates, and provider billing with all facets of the system focused and supporting consumer choice and portability among services and providers. These changes are necessary to achieve compliance with federal Centers for Medicare and Medicaid requirements and due to litigation impacting how the state administers this service delivery system.

The legislature approved the executive recommendation for funding developmental disabilities services including:

- o Movement of individuals from institution to community services including funds to support a crisis funding pool, training, and community service start-up costs as required by the settlement agreement in the Travis D litigation
- o Services for 15 individuals currently waiting for developmental disability services

The legislature also specified that:

- o The department provide semi-annual reports on the changes occurring within the developmental disabilities service system to the Legislative Finance Committee and members of the 2005 Legislative Joint Appropriations Subcommittee On Health And Human Services
- o The statewide published rate structure be implemented in equal increments over a four year period

Temporary Assistance for Needy Families (TANF)

The legislature increased funding for TANF cash assistance benefits so that the cash assistance benefit level could be increased by:

- o Providing an additional $2.4 million general fund support for child care in FY 2004 and decreasing the amount of TANF funds transferred to child care by a like amount
- o Directing that federal TANF funds (and state maintenance of effort funds) totaling $2.4 million per year not be expended to support abstinence education, achievement or incentive awards, accelerated employment services or diversionary projects, or after school programs, and that federal TANF funds made available due to this action be used to increase the TANF cash assistance benefit level.

In summary, the legislature increased funding for cash assistance benefits by $4.8 million in FY 2006 and $2.4 million in FY 2007 above the executive budget.

Total Medicaid

Figure 6 shows the 2005 biennium expenditures and appropriation for Medicaid services compared to the 2007 biennium appropriation and lists the major changes between the two biennia. Medicaid services appropriations for the 2007 biennium are $257 million total funds (including $71 million general fund) higher than actual Medicaid expenditures in FY 2004 plus the FY 2005 appropriation.

Figure 6
Medicaid Services
2005 Biennium Compared to 2007 Biennium

Item	2005 Biennium General Fund	2005 Biennium Total Funds	2007 Biennium General Fund	2007 Biennium Total Funds	% of Total Gen. Fd. Change	% of Total Change
Medicaid Services	$267,840,823	$1,234,340,049	$336,857,521	$1,499,966,527		
Total Change Between Biennia			$69,016,698	$265,626,478		
Percent Change			26%	22%		
Major Components of Change						
Caseload/Service Utilization Change			$34,534,637	$126,554,330	50%	48%
Match Rate Changes (Estimated)			30,320,000	(30,320,000)	44%	-11%
Hospital Tax			0	82,969,473	0%	31%
Provider Rate Increases			5,135,415	57,759,029	7%	22%
HIFA Waiver - Medicaid Redesign			0	14,250,000	0%	5%
Waiver/Community Services Expansion			2,881,686	12,440,506	4%	5%
Eligibility Expansions - Raise Asset Limit for Children			0	6,405,995	0%	2%
Refinancing Authority			0	2,000,000	0%	1%
Total Medicaid Cost Saving Measures			(3,889,385)	(13,153,535)	-6%	-5%
Total Components Explained			$68,982,353	$258,905,798	100%	97%

These increases represent a 27 percent change in general fund and a 22 percent change in total funds. General fund changes are higher than total fund changes due to the reductions in the federal match rate, which include a temporary enhancement in federal Medicaid participation during the base budget year. Compared to base budget expenditures only, the federal match rate changes add $55 million general fund and reduce federal funds by a like amount over the 2007 biennium. However, when the 2007 biennium is compared to the 2005 biennium, the increase in the state match rate in FY 2005 offsets part of the $55 million difference, lowering the total general fund increase for match rate changes to about $30 million between the two biennia.

The most significant component of general fund cost increases for Medicaid services is projected changes in the number of eligible persons and growth in service utilization, which adds about $35 million general fund ($127 million total funds). Continuation of the hospital bed tax (SB 120) will add nearly $83 million. Provider rate increases, both in the executive proposal adopted by the legislature and those added by legislative initiative, total about 7 percent of the general fund change. Expansions of community services for elderly and disabled persons are about 4 percent of the general fund growth between biennia and 5 percent of the total growth. Increases in the amount contributed by counties to match federal Medicaid funds and increase Medicaid payments to nursing homes add nearly $13 million total funds or 5 percent of the total growth. Raising the asset limit for children to become eligible for Medicaid (HB 552) adds $7.5 million total funds and $1.9 million state special revenue. Finally, cost control measures in the Medicaid pharmacy program, other service utilization controls, and directing persons to more appropriate, potentially lower cost care reduce benefit appropriations by $13 million, including reductions of nearly $4 million total funds.

Agency Highlights

Department of Public Health and Human Services (DPHHS)
Major Budget Highlights

- The 2007 biennium appropriation for DPHHS is $579 million higher than the FY 2004 base budget
  - The majority of the increase over the FY 2004 base budget is in appropriations for services to individuals ($509 million)
- General fund appropriations for the 2007 biennium are $121 million higher than the 2004 base budget
- About 43 percent of the general fund increase is due to Medicaid state match increases of $55 million over the biennium due to the loss of the enhanced federal match rate ($28 million) in FY 2004 and annual adjustments that reduce the federal match rate during the 2007 biennium ($27 million**)**
- Legislative initiatives add $7 million in general fund and $4 million in tobacco tax state special revenue (I-149) for direct care worker wage increases, provider rate increases, service and eligibility expansions, funding switches to raise TANF cash assistance benefits, and operating and personal services funding to help raise income tax revenue and support persons and service efficiencies
- Major initiatives funded in the legislative budget include:
  - Approval of a $43 million package of proposals to implement I-149 (53-6-1201, MCA) to
    - Provide prescription drug coverage to low-income persons (SB 324)
    - Provide tax refunds and premium assistance to small businesses (HB 667)
    - Provide provider rate increases and Medicaid and CHIP funding and service expansions, including expansion of CHIP enrollment from 10,900 children to 13,900 children
  - Medicaid redesign proposals including:
    - Three separate Medicaid waiver programs
    - Expansion of health services to low income adults with a mental illness, children with a serious emotional disturbance transitioning to adult services, and potentially to persons who are unable to purchase private health insurance (Montana Comprehensive Health Association – state high risk pool)
  - Expansion of PACT (Program for Assertive Community Treatment)
    - Initiative to more than double community services for persons with a severe and disabling mental illness from FY 2004 base levels
  - An increase in tobacco prevention and control funding to levels approved through I-146 (17-6-606, MCA)
  - Development of children's system of care – for early childhood development and for children who require services from more than one state agency

Funding

DPHHS is funded by a combination of general fund, state special revenue, and federal funds. General fund provides almost 23 percent of the 2007 biennium budget, while state special revenue and federal funds provide about 7 and 70 percent, respectively.

Total Agency Funding
2007 Biennium Legislative Budget

Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
02 Human And Community Services	$ 51,386,226	$ 1,982,952	$ 399,162,712	$ 452,531,890	16.67%
03 Child & Family Services	51,690,611	3,766,098	54,936,213	110,392,922	4.07%
04 Director'S Office	2,211,799	16,332,697	19,818,603	38,363,099	1.41%
05 Child Support Enforcement	2,586,463	3,802,858	13,026,937	19,416,258	0.72%
06 Fiscal Services Division	4,352,022	706,006	6,665,572	11,723,600	0.43%
07 Public Health & Safety Div.	4,080,329	22,298,868	86,535,101	112,914,298	4.16%
08 Quality Assurance Division	4,427,992	542,919	11,383,334	16,354,245	0.60%
09 Operations & Technology	17,750,444	2,213,946	34,442,623	54,407,013	2.00%
10 Disability Services Division	92,118,572	4,114,562	163,314,146	259,547,280	9.56%
11 Health Resources Division	202,962,264	55,178,898	744,374,709	1,002,515,871	36.93%
22 Senior & Long-Term Care	97,901,057	45,164,029	312,463,556	455,528,642	16.78%
33 Addictive & Mental Disorders	86,399,937	18,105,248	76,158,642	180,663,827	6.66%
Grand Total	$ 617,867,716	$ 174,209,081	$ 1,922,282,148	$ 2,714,358,945	100%

Other Issues

Child and Family Services – Federal Reviews

In the past two to three years, CFSD has been the subject of two federal reviews. In August of 2002 the division had its first federal Child and Family Service Review (CFSR) by the Administration of Children and Families, the federal agency responsible for oversight and management of the federal foster care and adoption programs operated under Title IV-E of the Social Security Act. As with other states, this review identified a number of areas for improvement to achieve compliance with federal expectations regarding outcomes for children in foster care and adoptive settings, and the state entered into a performance improvement plan to address these compliance issues.

Information presented to the legislature by the division indicates that the division may not satisfactorily complete all items included in its performance improvement plan. Division staff indicated they are confident that compliance will be achieved for four of the nine outcome measures in question, but are not confident that compliance will be achieved for the remaining five outcome measures in question. Division staff indicated the potential penalty for noncompliance in the first year is about $400,000 of lost federal reimbursement for each outcome measure that is not in compliance with federal regulations. If compliance with five of the outcome measures is not achieved, the estimated penalty is about $2 million the first year and increases in subsequent years if compliance is not achieved.

Additionally, a federal IV-E eligibility compliance review was completed in June of 2003. As a result of this review Montana was found not to be in substantial compliance with federal requirements and repaid about $0.3 million of federal reimbursement claimed in error. Because this was a preliminary review (limited to a sample of cases) the findings of this review were not extrapolated and applied to the entire population for which federal reimbursement was claimed. However, the division is scheduled for another IV-E eligibility review in 2005 and the findings of this review will be extrapolated and applied to the entire population for which federal reimbursement was claimed. Thus, the potential penalties and disallowances due to compliance issues identified in future reviews are much greater than those experienced to date.

Pending Litigation

In September 2002, the Montana Association for Independent Disability Services, Inc. (MAIDS) and several individuals with developmental disabilities filed suit. Defendants in the MAIDS lawsuit include the Department of Public Health and Human Services and key department and state personnel. MAIDS is a non-profit organization comprised of entities providing community-based services to individuals with developmental disabilities. This suit alleges that the disparity in wages and benefits paid to employees of community based providers, versus the wages and benefits paid to employees of state institutions, has resulted in irreparable and unnecessary harm to the plaintiffs. The plaintiffs allege that several statutory and constitutional provisions have been violated and seek: 1) to have the wage and benefit disparity between employees of state run institutions and community providers eliminated; and 2) to have uniform Medicaid reimbursement rates established. The court is scheduled to hear this lawsuit in August of 2005.

A finding in favor of the plaintiffs and requiring the state to reimburse contractors at a level that provides direct care wage rates that are comparable to state employees would likely have a financial impact on the DD system that would be measured in terms of millions of dollars. The potential for similarly situated employee groups of contractors to file similar legal actions exist. The probability and magnitude of such action is currently unknown. Furthermore, how such a finding might impact the definition of employee, employer relationships, and other aspects of labor relations and compensation has not been studied.

Medicaid Redesign

The legislature approved federal appropriation authority of $14 million, $3.25 million in tobacco tax state special revenue authority, and $0.2 state special revenue authority to implement elements of the executive Medicaid redesign proposal. The major components of Medicaid redesign are summarized as follows.

HIFA Waiver

One of the most important fiscal and programmatic components of the redesign recommendations is the Health Insurance Flexibility and Accountability (HIFA) waiver. This type of waiver was promulgated by the Bush administration and does not exist in federal rule or in Title XIX of the Social Security Act. A HIFA waiver must:

- Include an expansion of health care benefits for the uninsured
- Include a public/private partnership
- Be cost neutral over the five year life of the waiver (i.e. cost no more in federal Medicaid funds than would have been paid without the waiver)

Use of Existing State Funds to Leverage More Federal Medicaid Match and Expand Health Care Services

The HIFA waiver approved by the legislature would “refinance” 100 percent state funded services by including those services and persons eligible for them in the state Medicaid program, and using the state funds for those programs as state match to draw down additional federal Medicaid funds. The current proposal anticipates using between $3.3 and $5.3 million state funds to generate an additional $8 to $12 million in federal Medicaid funds for additional health services.

The executive proposal would move portions of the services provided by and the funding for the Mental Health Services Plan (MHSP) and the Montana Comprehensive Health Association (MCHA) into the HIFA waiver. MHSP provides prescription drugs and some other services to adults with a serious and disabling mental illness who have incomes under 150 percent of the federal poverty level. The MCHA provides insurance or premium assistance to some persons who have been denied health insurance coverage.

HIFA Waiver Health Services Expansion

The expansion of health services in the HIFA waiver includes:

- MHSP – add physical health benefit and “refinance” prescription costs for 2/3 of MHSP recipients without other health insurance
- MCHA – expand premium assistance program and/or raise premium assistance (recently declined from 55 percent to 45 percent)
- Add services for up to 300 children with serious emotional disturbance (SED) transitioning to adult services
- Expand CHIP type coverage
- Expansion potentially funded with Medicaid funds rather than using federal CHIP grant
- Number of additional children served undetermined at this time

- o Assistance for low-income working adults transitioning off Medicaid
- o Number of additional adults served undetermined at this time
- o Sometime within the five-year life of waiver, partnership with employers for premium assistance

Waiver to "Sever" Indian Health Services (IHS) from State Medicaid Plan

IHS is reimbursed with 100 percent federal funds for Medicaid covered services provided to Medicaid eligible persons. However, only services allowed by the Montana state Medicaid plan are eligible for reimbursement.

During the 2003 biennium there were several changes to the state Medicaid plan that eliminated certain services from the state plan in order to avoid cost over runs and to limit general fund costs. Those actions also eliminated Medicaid reimbursement to IHS for those services.

DPHHS will attempt to sever the link between the Medicaid state plan and Medicaid eligible reimbursement for IHS services for two basic reasons:

1) IHS Medicaid reimbursement is 100 percent federal
2) Limiting or eliminating coverage of certain Medicaid services can shift the cost to limited IHS funds or higher cost state plan services, which are partially state funded (30 percent general fund state match)

Other Elements of Redesign

There are several other components of the redesign including:

- o Waiver of Deeming – a federal waiver that allows parental income and assets to not be considered in determining Medicaid eligibility for some children
- o Look Back Period – regulations regarding the review of asset transfers for the past three years previous to application for Medicaid to determine if assets were transferred for the purpose of impoverishing a Medicaid applicant. The legislature did not approve the statutory change that would have extended the time period under review for this look back from three to five years
- o Dollar for Dollar Waiver – allows persons purchasing long-term care insurance to retain assets when eligibility for Medicaid nursing care services is considered
- o Health Education – proposals focused on increased health education in specific areas
- o Family Planning Waiver – to expand services such as prenatal care for mothers and ongoing health care for the child to more low-income persons with funding provided 90 percent by federal funds
- o Transportation Brokerage – a pilot project to determine if persons can be well served and costs contained by coordinating travel
- o Enhance third party collections – DPHHS will undertake efforts to determine whether Medicaid costs for some persons can be partially or fully offset by other insurance coverage that those persons may have such as private insurance and Medicare
- o Develop a strategic plan for adult mental health services – The redesign process emphasized the need for and commitment to a long-term strategic plan for adult mental health services
- o Medicaid eligibility field review – DPHHS is initiating a review of Medicaid eligibility determination to ensure that field staff applies Medicaid eligibility criteria consistently and according to state and federal policies
- o Implement pharmacy cost containment – DPHHS is undertaking several measures to reduce pharmacy cost growth, including establishing a preferred drug list, including actions such as:
  - o Adopting a preferred drug list and/or seeking a federal waiver to require higher co-payments for equally effective, but higher cost, drugs
  - o Examining the potential of developing an evidence-based drug program to work in coordination with the preferred drug list
  - o Exploring the feasibility of developing a state drug discount program
  - o Examining the potential for re-importation of drugs from other countries
  - o Pending the request of IHS or the tribes, seek mechanisms, including, if necessary, a 1915(b) freedom of choice waiver, to insure that IHS-eligible Medicaid participants on reservations have their prescriptions filled at IHS or tribal facilities

A more detailed discussion of the various components of the Medicaid redesign proposal may be found on pages B-11 through B-15 of the Legislative Budget Analysis, 2007 Biennium, Volume 3.

Medicare Modernization Act

The legislature considered several impacts that may result due to implementation of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (commonly referred to as the Medicare Modernization Act or MMA) adopted December of 2003. The act provides a prescription drug benefit for Medicare beneficiaries, with full implementation January 1, 2006. Although there will be financial, workload, and administrative implications for the department due to the act, those are largely unknown at this time. The potential impacts reviewed by the legislature were:

- General fund savings due to federal assumption of prescription costs for some Medicare eligible persons currently receiving Medicaid or Mental Health Services Plan (MHSP) prescription drug benefits
- General fund cost of state payments to the federal government for the Medicaid drug cost savings (the “clawback”)
- Increased Medicaid costs due to new enrollees discovered during Part D outreach (the “wood work effect”)
- State costs if the state opts to provide a “wrap around” benefit for potential or known Medicare prescription coverage gaps (potentially embodied in SB 324)
- Administrative and workload impacts to provide low-income eligibility determination, beneficiary education, grievance resolution, and coordination with the Social Security Administration
- Potential for federal reimbursement of 28 percent of allowable costs for state employee health plan insurance coverage for drugs for Medicare eligible employees

The legislature added language to HB 2 indicating that at least 50 percent of the amount appropriated for Medicaid prescription drug costs may be used to pay the clawback and administrative costs related to implementation of the new Medicare Part D benefit. The legislature also added a quarterly reporting requirement on implementation of the act, with review and monitoring to be undertaken by the Legislative Finance Committee.

Federal Poverty Level

Figure 7 shows the 2005 federal poverty level index by family size for various levels of poverty. This index is published each calendar year and updated in February or March. Generally the federal poverty level index increases each year between 2 and 5 percent.

Figure 7
2005 Federal Poverty Index
Levels of Poverty by Family Size

Family Size	Percent of Federal Poverty Level 30%	100%	133%	150%	175%	200%
1	$2,871	$9,570	$12,728	$14,355	$16,748	$19,140
2	3,849	12,830	17,064	19,245	22,453	25,660
3	4,827	16,090	21,400	24,135	28,158	32,180
4	5,805	19,350	25,736	29,025	33,863	38,700
5	6,783	22,610	30,071	33,915	39,568	45,220
6	7,761	25,870	34,407	38,805	45,273	51,740
7	8,739	29,130	38,743	43,695	50,978	58,260
8	9,717	32,390	43,079	48,585	56,683	64,780
Each Additional Person	978	3,260	4,336	4,890	5,705	6,520

Throughout the DPHHS budget analysis there are references to program financial eligibility based on an established level of poverty. The levels of poverty shown in Figure 5 reflect most of the financial eligibility levels for DPHHS programs. CHIP financial eligibility is currently 150 percent of the poverty level. Financial eligibility for some Medicaid programs for low-income children and pregnant women is established at 100 percent or 133 percent of the federal poverty level. MHSP financial eligibility is established at 150 percent of the poverty level. Chemical dependency services are provided to individuals with incomes below 200 percent of the federal poverty level. The eligibility and benefit level of TANF cash assistance is established at about 30 percent of the 2002 federal poverty level index. TANF cash assistance eligibility and benefit levels are no longer routinely increased as the federal poverty level index, rather they have remained constant based upon the 2002 federal poverty level index.

Language
The legislature approved the following language for inclusion in HB2:

"The department shall complete a report on the status of reverted appropriations for the end of fiscal year 2005 and for the end of fiscal year 2006. The report must be presented to the legislative finance committee and the office of budget and program planning. The report must aggregate the information by fund type and at the first level account. Also, the report must include a definition by fund type and first level account and the purpose for which any funds were reappropriated for expenditure in the subsequent year as authorized by 17-7-304.

Appropriation for Human and Community Services Division, Child and Family Services Division, Director's Office, Child Support Enforcement Division, Fiscal Services Division, Public Health and Safety Division, Quality Assurance Division, Operations and Technology Division, Disability Services Division, Health Resources Division, Senior and Long-Term Care Division, and Addictive and Mental Disorders Division include over $70 million annually to support contracts with local, nonstate public and private entities that provide either discreet, distinct services and benefits directly to individuals or broad direct and indirect public benefits to the citizens of Montana. These appropriations have been made as requested by the department in either the operating category of expenditure or the grants category of expenditure. The department is directed to work with the department of administration, the legislative branch, and the office of budget and program planning to help establish accounting guidance that allows the executive branch to more consistently and uniformly account for appropriations that provide direct and indirect benefits to persons. The department and department of administration shall report to the legislative finance committee and members of the 2005 legislative joint appropriations subcommittee on health and human services by September 1, 2005, and every 6 months thereafter until completion of the project.

Appropriations for Disability Services Division, Health Resources Division, and Senior and Long-Term Care Division may not be expended until rate increases and services funded in Direct-Care Worker Salary Increase From 25th to 35th Percentile, Physician Rate Increase, Nonhospital Provider Rate Increase, Dental Access, Direct-Care Worker Wage Increase, and Provider Rate Increases -- Nursing Home and Community Services have been established and implemented at levels that will fully expend the appropriations beginning no later than July 15, 2005, and ending June 30, 2007. Rate increases must be structured so that funding in Direct-Care Worker Salary Increase From 25th to 35th Percentile, Physician Rate Increase, Nonhospital Provider Rate Increase, Dental Access, Direct-Care Worker Wage Increase, and Provider Rate Increases -- Nursing Home and Community Services is expended incrementally throughout the 2007 biennium."